

## **Commission Meeting Minutes May 13, 2020**

Chairman Philip Y. Brown called the meeting to order at 11:15 AM. He then stated that the Commission meeting is being tape recorded and this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners participating: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, James Machado, Robert McCarthy, and Jennifer Sullivan. All attendees participated remotely pursuant to Governor Charles Baker's Executive Order dated March 12, 2020. Therefore, the Chairman announced, any votes in this meeting shall be taken by roll call vote.

PERAC Staff attending remotely: Executive Director John Parsons, Deputy Executive Director of Policy Joe Martin, Deputy Director of Administration Caroline Carcia, General Counsel Judith Corrigan, Assistant Deputy of Research, Planning and Public Affairs Bill Keefe, Actuary John Boorack, Compliance Director Tom O'Donnell, Compliance/Investment Data Coordinator, Cheryl Johnson, Director of Audits Caryn Shea, Senior Associate General Counsel Ken Hill, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Director of Information Systems Dan Boyle, Project Manager Tony Tse, Chief Financial Officer Virginia Barrows, Communications Director Natacha Dunker, Manager of Medical Services Kate Hogan, and Senior Executive Assistant Kim Boisvert.

Chairman Brown requested guests attending remotely to identify themselves: Tom Gibson representing the Middlesex and Belmont Retirement Boards, John Brown representing the Middlesex Retirement Board and MACRS, Nick Favorito representing the State Retirement Board, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, and David Sullivan representing the Plymouth County Retirement Board.

Commissioner Fitzpatrick made a motion to adopt the April 15, 2020 Commission meeting minutes. Commissioner Machado seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES and the minutes were adopted.

### **Administrative Sub-Committee Update**

The Chairman reported that the Administrative Sub-Committee meeting was held on April 24, 2020 to discuss the Executive Director's Annual Performance Evaluation. The Committee discussed each of the key competencies, goals, achievements, including the development plans. Chairman Brown stated that the Sub-Committee overall was very pleased with the Executive Director and recommended a 3% increase retroactive to January 13, 2020, his anniversary date.

Commissioner Machado made a motion to accept the performance review and to increase the Executive Director's salary 3% retroactive to his anniversary date. Commissioner McCarthy seconded the motion.

Commissioner Dooling agreed with the performance evaluation but not the 3% increase and requested that the motion be separated.

Commissioner McCarthy amended the motion to accept the performance review and requested that the Chairman read the overall narrative. Commissioner Machado seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES and the Performance Evaluation was unanimously adopted.

Chairman Brown read the narrative as follows:

Mr. Parsons' transition has been seamless in large part due to his ability to prioritize tasks, his in-depth knowledge of PERAC, his even-keeled demeanor, and his basic good judgment. He has worked hard to reach out to both retirement boards and PERAC personnel in order to listen and obtain their feedback. He is an excellent communicator and has been very responsive to the Commission.

His deft handling of challenging situations has helped to ameliorate risk, he has stepped in where appropriate, and he has kept the Commission well-informed. Mr. Parsons has also been very effective at restructuring personnel and at ensuring that the all departments have an adequate number of personnel. The task of replacing a long-serving Executive Director is not an easy one but Mr. Parsons has made it seem so. He seems to be empowering employees in a positive manner. For example, his encouragement of the Communications Unit has led to a more in-depth and up-to-date Pension News. Likewise, he has rightly focused on coming up with a plan to reduce the audit backlog. Finally, he plainly has a focus on long-term strategic planning and the strategic planning retreat that he conducted was a great success.

Commissioner McCarthy made a motion to increase the Executive Director's salary 3% retroactive to January 13, 2020, his anniversary date. Commissioner Machado seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling NO, Kathy Fallon NO, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan NO and the salary increase was adopted.

Commissioners Dooling, Fallon, and Sullivan reported that their vote on the Executive Director's salary increase is due to the current state of affairs in the Commonwealth and does not in any way reflect on his performance.

Chairman Brown reported that an additional Administrative Sub-Committee was held earlier in the morning just prior to the Commission meeting to discuss and accept the FY21 proposed budget provided by the Executive Director subject to the Commission reviewing any COLA or salary increases for staff in FY21. He then asked Mr. Parsons to report on the budget to the full Commission.

Mr. Parsons thanked the Commission for the evaluation and the increase. He also thanked the Commission for their support for both the staff and himself.

Mr. Parsons reported that the proposed budget represents an increase of 1.37% from FY20. As the FY20 budget was a decrease from FY19, FY21 will be considered level funded although this budget may possibly require a supplemental budget due to an anticipated influx of FY21 medical panels. He reported that PERAC must submit its budget to the Legislature prior to June 30 each year. He reported that FY21 has fixed increases which include rent along with fringe benefit costs and payroll tax. Enclosed in the monthly packet includes the proposed recommendation, the proposed budget, and the proposed FY21 fringe benefit costs memorandum from the Office of the State Comptroller. He stated that due to the pandemic we have concluded that additional enhancements to PROSPER are needed from CGI (PERAC's IT Development Contractor). Such enhancements include allowing the submission of SFI's electronically and the ability to perform actuarial services remotely. Mr. Parsons explained that work relating to calculations and valuations requires staff to come into the office to perform their work as submissions are submitted via mail so that the data is secure. The FY21 budget allocates funds to allow for a PROSPER application for calculation submissions. He concluded that there is a net loss of one position in this budget and a pay adjustment for employees of 1.5% COLA and 1.5% pay adjustment based upon annual performance reviews.

Commissioner McCarthy inquired about TeleMedicine and physically attending exams. Ms. Hogan reported that the vendors are beginning to discuss the conducting of physical exams again.

Commissioner Fallon suggested that PERAC consider how to reduce its budget over the summer. Commissioner Fitzpatrick agreed.

Mr. Parsons stated that he would consult with the Commission prior to the scheduled COLA/raises for staff in FY21. He continued that staff has been made aware that there may be cuts, furloughs, and the possibility of foregoing any increases.

Commissioner McCarthy made a motion to accept the Administrative Sub-Committee's recommendation and accept the proposed FY21 budget. Commissioner Dooling seconded the motion.

Commissioner Fallon inquired if PERAC is expecting any turnover savings?

Ms. Carcia reported that she is unaware of any additional turnover savings.

On the motion a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES and the FY21 Budget was adopted.

### **Actuarial Update**

Mr. Boorack reported that after a discussion with the Commission last month, PERAC issued Memo # 22/2020 – Delayed FY21 Appropriations, issuing guidance regarding actuarial payments, delayed appropriation payments, and whether a discount or interest should apply. He believes that the municipalities and retirement boards should decide how to handle the payments due to this historic event.

Mr. Boorack reported that Mr. Parsons, Mr. Lamenzo, Mr. Keefe and he spoke with A&F to discuss the various questions both PERAC and ANF have received regarding pension funding. He indicated that the topics PERAC has been asked about include PERAC Memo #22/2020, reducing the FY21 appropriation, and whether there has been discussion about extending the funding deadline beyond FY40 and ERIs. Mr. Boorack indicated that there may not be a need to extend the funding deadline at this time. The historic market downturn as a result of the COVID-19 pandemic began after December 31, 2019. The actuarial valuations performed this year, will not reflect this downturn, so the results are likely not too bad. Also, we cannot know where the markets will end the year, so we won't know what the assets will look like on December 31, 2020. As most systems utilize a smoothing technique to determine the actuarial value of assets, we don't know how prior gains and losses will impact this year's expected losses. However, the systems that utilize the market value may have some issues. At this time, he is not inclined to change the 2040 funding schedule date. There was some discussion that legislation would be necessary if an Early Retirement Incentive were to be offered, however, if the municipalities were to offer a monetary bonus as a retirement incentive, legislation would not be necessary. He stated that ANF had received questions mainly about the reduction of local aid. ANF indicated that there are too many unknowns at this time to give a definitive answer (i.e. rainy day fund, tax revenues, any possible bail out from the federal government).

Mr. Boorack then reported that the software used for valuations and calculations can be accessed only in the office and that the information needed to complete benefit calculation approvals and valuation data clean-up contain personally identifiable information and cannot leave the office. Due to the State of Emergency, staff has been going into the office to work only on approving benefit calculations. At this time, work has not begun on any actuarial valuation. He reported that, after two (2) months of the state being shut down, the Actuarial Unit will not be performing the State, Teachers', and the Commonwealth's actuarial valuations as of January 1, 2020. The reasons are Chapter 32 requires valuations be performed once every 2 years, PERAC has performed these valuations for nearly 20 consecutive years, the Commonwealth adopted a funding schedule based on the results of the January 1, 2019 actuarial valuation, the most recent valuation for the local systems scheduled for this year was done 2 years ago, so by statute these need to be completed, and lastly the local systems need to adopt funding schedules based on the

results of this year's valuations. When the staff returns to the office, the Actuarial Unit will focus on working on the actuarial valuations for the local systems.

The Chairman inquired if the State, Teachers' and Commonwealth should rely on the current valuations.

Mr. Boorack replied that the State, Teachers' and Commonwealth should rely on the current valuation and further stated that once the offices are open he expects he would be able to provide an estimate for the State, Teachers' and Commonwealth.

There was some discussion regarding the reopening of the offices, restructuring the offices, purchasing new hardware and software to allow remote work, and accessing office files.

### **Legislative Update**

Mr. Keefe reported that the House adopted remote participation during this pandemic and declared that House Ways and Means will report its budget by July 1. The Governor filed H 4677 to allow for short-term borrowing if needed to meet FY20 shortfalls, and the Senate developed temporary emergency rules for remote participation only to address this bill. He explained that PERAC continues to respond to the Legislature on various questions. Mr. Keefe updated the Commission about PERAC's Veterans Bill, and outlined some bills filed by others: H 4611, H 4627, and S 2673, which he also summarized in his memorandum in the Commission packet.

### **Audit Update**

Ms. Shea reported that since the last Commission meeting, PERAC released the Massachusetts Housing Finance Agency Audit Report and there were no findings during the audit period. She reported that the audit team continues to conduct audits by receiving documents from the systems electronically. The auditors will review the original documents once the State of Emergency has been lifted. She stated that exit interviews have been scheduled with the boards through the web and outstanding audits are being finalized. Auditors are currently reviewing the 2019 Annual Statements and doing on-line training. The audit team is also working with recently purchased software. Ms. Shea reported that she is working with the IT Department to create new templates for the new audit reports that are conducted with the risk based audit approach.

### **Compliance Update**

Mr. O'Donnell reported that the new online course offerings and webinars have also proven beneficial with over 93 board members participating to date along with many administrators. He explained the additional webinars available and that 203 on-line courses have been completed. He continued that the COVID – *Functioning During the State of Emergency* course had over 150 attendees. He also reported that over 68 investment managers have been hired, and we are now seeing an uptick of vendor disclosures. Mr. O'Donnell informed the Commission that to date, 82% of board members have filed their SFIs.

## **Executive Director's Report**

Mr. Parsons reminded the Commission that Ms. Kiely-Becchetti from MACRS, on behalf of some retirement boards, requested that PERAC host a webinar regarding working during the COVID 19 State of Emergency. The Commission was in agreement. PERAC hosted a webinar entitled *Functioning During the State of Emergency* last week with 150 attendees. The webinar was successful and he has received great feedback. He believes that retirement boards have adapted to working remotely, as has PERAC. He then reported that Ms. Hogan, Manager of Medical Services, held a webinar entitled "Telemedicine Examinations" which was also very successful with over 80 participants. Medical Panels have been temporarily cancelled and we have adopted an alternative with Telemedicine meetings. One challenge we had in that regard is that the individual, the retirement board, and the employer have the right to participate in the process. We have created waiver forms, which must be accepted by all. We have received the authorizations in several cases and have started scheduling these examinations.

Mr. Parsons reported that the statute requires that PERAC SFIs be filed by May 1 and the State Ethics Commission moved their own filing out 30 days. Included in the package is PERAC Memorandum #32/2012 with our SFI protocol. He asked if the Commission would extend the filing date by an additional 30 days.

Commissioner McCarthy made a motion to accept the Executive Director's recommendation and extend the SFI filing date by thirty (30) days. Commissioner Dooling seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES and the motion was unanimously adopted.

## **Other Business**

Chairman Brown stated that the next Commission meeting is scheduled to be held on Wednesday, June 10, 2020 at 11:00 AM.

Commissioner Dooling made a motion to adjourn the meeting. Commissioner Machado seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, and the motion was unanimously adopted. The meeting adjourned at 12:18 PM.

**Commission Meeting Documents**

Commission Agenda for the meeting May 13, 2020

Commission Minutes from April 15, 2020

**Administrative Sub-Committee**

Executive Director Performance Review Form

FY21 Budget Recommendations

FY21 Proposed Budget

FY21 Fringe Proposal Memorandum issued by Comptroller's Office

**Actuarial Update**

Cover Page

PERAC Memo # 22/2020

**Legislative Update**

Memorandum regarding Legislative updates

**Audit Update**

Cover page Mass Housing Finance Agency (no findings)

Audit Tracking Report

**Compliance Update**

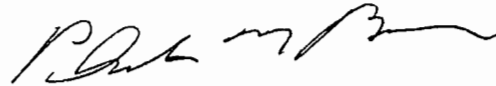
Memorandum regarding Compliance updates

**Executive Director's Report**

Staff Activities

PERAC Memo # 32/2012 regarding Statement of Financial Interests

Approved:

A handwritten signature in black ink, appearing to read 'Philip Y. Brown', written in a cursive style.

Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission